

Council/Agency Meeting Held: _____	City Clerk's Signature _____
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	
Council Meeting Date: 7/5/2005	Department ID Number: FN 05-003

CITY OF HUNTINGTON BEACH REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: HONORABLE MAYOR CITY COUNCIL MEMBERS
SUBMITTED BY: *PENELOPE CULBRETH-GRAFT* PENELOPE CULBRETH-GRAFT, CPA, CITY ADMINISTRATOR
PREPARED BY: DANIEL T. VILLELLA, CPA, FINANCE OFFICER *DV*
SUBJECT: PREPAYMENT OF PERS EMPLOYER CONTRIBUTIONS

2005 JUN 22 AM 11:17
 CITY OF HUNTINGTON BEACH, CA

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue:

The Public Employees Retirement System (PERS) is offering a 3.66% discount to agencies that pay 100% of the employer's contribution for the 2005-2006 PERS fiscal year.

Funding Source:

Cash is available within the various funds that usually have PERS obligations. Any amounts paid prior to the obligation date for these benefits in the fiscal year 2005-2006 are considered prepayments of expenses and can be refunded if necessary.

Recommended Action:

Authorize Daniel T. Villella, CPA, Finance Officer to approve the Public Employees Retirement System LUMP SUM PAYMENT REQUEST for fiscal year 2005-2006 authorizing the lump sum prepayment of PERS Retirement Employer's Contribution in the amount of \$9,186,409 for Safety employees and \$2,811,513 for Miscellaneous employees to be paid by July 15, 2005.

Alternative Action(s):

Make the traditional twenty-six biweekly payments throughout the twelve months.

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REQUEST FOR ACTION

MEETING DATE: 7/5/2005

DEPARTMENT ID NUMBER:FN 05-003

Analysis:

The city has been advised that PERS is offering a 3.66% discount to agencies paying 100% of the employer's share for the 2005-2006 fiscal year by July 15, 2005. Based on this information, the city requested the PERS Actuarial & Employer Services Division to calculate the lump sum payment for the Safety employees (Attachment 1) and the Miscellaneous employees (Attachment 2).

This information is based on the most recent annual valuation and assumes payment made between July 1 and July 15, 2005. The amount of pre-payment required is approximately 3.66% less than the total of the twenty- six biweekly payments. This reduced amount was calculated by PERS discounting future payments by their expected rate of return of 7.75%.

The table below shows that the City will save a gross amount of \$456,244 and, after reducing the City Treasurer's expected investment rate of return of 3.25%, a net amount of \$265,695:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>
Full Amount	\$9,535,740	\$2,918,426	\$12, 454,166
Discount Amount	<u>9,186,409</u>	<u>2,811,513</u>	<u>11,997,922</u>
Gross Savings	\$ 349,331	\$ 106,913	\$ 456,244
Est. Lost Interest			<u><190,549></u>
Net Savings			\$ <u>265,695</u>

With your approval, the Finance Officer can approve the LUMP SUM PAYMENT REQUESTs and a check will be processed in the amount of \$11,997,922 (\$9,186,409 – Safety; \$2,811,513 – Miscellaneous).

Environmental Status:

Not applicable.

Attachment(s):

E-2.2

City Clerk's Page Number	No.	Description
36	1.	Prepayment of the Employer Contributions for Fiscal Year 2005-2006 – Safety Plan
	2.	Prepayment of the Employer Contributions for Fiscal Year 2005-2006 – Miscellaneous Plan

E-23

ATTACHMENT #1

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Actuarial & Employer Services Division
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
FAX (916) 795-3005

June 6, 2005

Employer Number : 0097
Employer Name : CITY OF HUNTINGTON BEACH
Rate Plan: SAFETY

Re: Prepayment of the employer contributions for fiscal 2005-2006

Dear Ms. Russell:

As requested, 2005-2006 employer contribution rate information on your lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment made between July 1 and July 15, 2005 and no further contractual or financing changes taking effect before June 30, 2006.

The change in your 2005/2006 employer contribution rate after you make the proposed lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2003	\$	%
2005-06 Required Employer Contribution	\$9,535,740	29.957%
2005-06 Discounted Employer Contribution*	9,186,409 *	N/A
2005-06 Revised Employer Contribution	0	0.000%
Change to Total Employer Contribution Rate		(29.957%)

* **Pay this amount (see attachment).** Your pre-payment 2005-2006 Employer Contribution is from your June 30, 2003 actuarial valuation report. It has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount). To the extent your actual 2005-2006 payroll differ from our assumptions, we anticipate the differences will be reflected in your 2008-2009 and later employer contribution rates.

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check between July 1 and July 15. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

Richard Santos
Associate Pension Actuary, CalPERS
Richard_Santos@calpers.ca.gov
enc.

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Actuarial & Employer Services Division
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
FAX (916) 795-3005

LUMP SUM PAYMENT REQUEST

Please complete and return this form to the following address, with a copy to the address above.

CalPERS
Fiscal Services Division
Attn: Susan Patchett
P O Box 1982
Sacramento, CA 95809-1982

If a wire transfer is being used, it should go to the following account:

ABA#121000358
Bank of America, San Francisco, CA
Credit State of California, CalPERS
Account # 1482-80005

Please e-mail Susan Patchett and your actuary on the day of the wire (Susan_Patchett@calpers.ca.gov).

Employer Name: CITY OF HUNTINGTON BEACH

Employer Number: 0097

Member Group or Plan: SAFETY PLAN

Coverage Group affected by the Payment: 74001, 75001, 76001

Amount: **\$9,186,409**

Purpose: To prepay the 2005/2006 employer contribution rate

Base(s) to which payment is applied: N/A

In recognition of our payment please revise our employer contribution rate effective July 1, 2005:

Name and Title: (Please Print): _____

Signature: _____

Date: _____

Mailing Address: _____

Street Address: _____

City/State/Zip: _____

Telephone Number: _____

Fax Number: _____

E-mail Address: _____

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ATTACHMENT #2

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Actuarial & Employer Services Division
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 795-3240
FAX (916) 795-3005

June 6, 2005

Employer Number : 0097
Employer Name : CITY OF HUNTINGTON BEACH
Rate Plan: MISCELLANEOUS

Re: Prepayment of the employer contributions for fiscal 2005-2006

Dear Ms. Russell:

As requested, 2005-2006 employer contribution rate information on your lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment made between July 1 and July 15, 2005 and no further contractual or financing changes taking effect before June 30, 2006.

The change in your 2005/2006 employer contribution rate after you make the proposed lump sum payment, is displayed in the "Change to Total Employer Rate" line below.

As of June 30, 2003	\$	%
2005-06 Required Employer Contribution	\$2,918,426	7.182%
2005-06 Discounted Employer Contribution*	2,811,513 *	N/A
2005-06 Revised Employer Contribution	0	0.000%
Change to Total Employer Contribution Rate		(7.182%)

* ***Pay this amount (see attachment).*** Your pre-payment 2005-2006 Employer Contribution is from your June 30, 2003 actuarial valuation report. It has been reduced by a half year interest credit at the 7.75% actuarial assumed interest rate (resulting in an approximate 3.66% discount). To the extent your actual 2005-2006 payroll differ from our assumptions, we anticipate the differences will be reflected in your 2008-2009 and later employer contribution rates.

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check between July 1 and July 15. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

Richard Santos
Associate Pension Actuary, CalPERS
Richard_Santos@calpers.ca.gov
enc.

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LUMP SUM PAYMENT REQUEST

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ABA#121000358
Bank of America, San Francisco, CA
Credit State of California, CalPERS
Account # 1482-80005

Please e-mail Susan Patchett and your actuary on the day of the wire (Susan_Patchett@calpers.ca.gov).

Employer Name: CITY OF HUNTINGTON BEACH

Employer Number: 0097

Member Group or Plan: MISCELLANEOUS PLAN

Coverage Group affected by the Payment: 70001

Amount: **\$2,811,513**

Purpose: To prepay the 2005/2006 employer contribution rate

Base(s) to which payment is applied: N/A

In recognition of our payment please revise our employer contribution rate effective July 1, 2005:

Name and Title: (Please Print): _____

Signature: _____

Date: _____

Mailing Address: _____

Street Address: _____

City/State/Zip: _____

Telephone Number: _____

Fax Number: _____

E-mail Address: _____

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